

# **Local Government Property Insurance Fund**

## **News and Views**

**A Publication for Policyholders**

**August 2004**

**Volume 2, Number 2**

## **Advisory Committee Update**

*By: Lowell Carter, Branch Manager*

### **Inside this Issue:**

<b>Advisory Committee</b>	<b>1</b>
<b>Oversight Committee</b>	<b>2</b>
<b>Staff Update</b>	<b>2</b>
<b>Reminder</b>	<b>3</b>
<b>Policy Q&amp;A</b>	<b>3, 4</b>
<b>Financial Report</b>	<b>4</b>
<b>Premium and Loss</b>	
<b>Ratios by Entity</b>	<b>5, 6</b>
<b>Loss Control</b>	<b>7</b>

### **Electronic Statement of Value**

*By: Don La Fontaine,  
City of Oskosh*

In a continuing effort to assist policyholders in the Local Government Fund, a committee has been formed to review the process on submission of notices and policy updates with the Fund. The committee which involves the City of Oshkosh has been examining the process of submitting Statement of Valuation forms electronically.

The goal is to have policyholders reduce paperwork and have access to their files and to improve communication with the Fund. A report on the progress on electronic filing was made at the April 14<sup>th</sup> Advisory Committee meeting.

The Advisory Committee of the Local Government Property Insurance Fund held its spring meeting in Madison on April 14, 2004. Due to a much improved financial picture for the first six months of the fiscal year, the Committee recommended that rates remain at current levels for 2004. Other items of note include...

- The Fund may move to the newer industry standard for appraising properties which is the total component method rather than the square footage method currently used. If the new system had a significant impact on values, rates would be adjusted accordingly to keep the Fund in a break-even financial stance.
- A demonstration of the electronic statement of values project was presented. This is still under construction, but the Committee approved moving forward with the task.
- Reinsurance costs decreased from \$5.3 million to \$4.5 million. Limits were increased by \$85 million to \$325 million, Fund reinsurance program deductibles remain the same and coverage for terrorism is still included.
- There has been a significant decline in the number of reported claims for this fiscal year due to many policyholders opting for higher fund deductibles.
- Since the beginning of our fiscal year, the Fund has had a net gain of more than a dozen policyholders even with new competitors entering the picture.
- The Rating Subcommittee recommended that rates appear adequate and that no rate changes will be needed during 2004. Surplus is on its way to a targeted mark of \$20 million.
- There was some discussion on whether the Coinsurance Policy should still be offered. This will be studied further.
- The next meeting of the Advisory Committee will be at 9:30 A. M., Wednesday, October 27, 2004 at the OCI office in Madison.



## Dates to Remember:

**Advisory Committee**  
**October 27, 2004**  
**9:30 a.m.**

Surveys and Policy  
Forms are now  
available at the OCI  
Website:

[oci.wi.gov/lgpif.htm](http://oci.wi.gov/lgpif.htm)  
Under Forms

### Important Reminders

#### PREMIUM PAYMENTS

**Please return your yellow  
or white copy with your  
check to:**

**LGPIF**  
**Drawer 976**  
**Milwaukee, WI 53293-0976**

**Your account cannot be  
identified without this  
copy and therefore will not  
be credited.**

**This lockbox is for  
payments only. Do not  
send correspondence to  
this address.**

## Oversight Committee

*By: Lowell Carter, Branch Manager*

The bi-annual meeting of the Local Government Property Insurance Fund Oversight Committee convened in Madison on April 19, 2004 to act on the recommendations and reports from the Advisory Committee. Much of the discussion centered on the encouraging fiscal data for the past six months, and in addition...

- The Committee unanimously approved the recommendations of the Advisory Committee that rates be kept at current levels for 2004.
- OCI staff presented a report about the electronic statement of values project that has begun. The Committee wants to continue moving forward with development. Two additional policyholders have volunteered to test the system. Total costs for implementation are unknown at this time, but the consensus is that this is a very worthwhile endeavor.
- There was discussion regarding a new method of appraising property known as the "total component method" which has become the industry standard replacing the square footage method. This newer process provides for a more detailed and accurate valuation than the current system. It was decided that more information needed to be gathered, but it is likely that this new method may be adopted to remain current with the industry.
- The next meeting of the Oversight Committee will be Wednesday, November 10, 2004 at 9:30 A. M. at the OCI office in Madison.

## Madison Staff Update

*By: Greg Grunow, Claim Supervisor &*

*Tammy Richison, District Manager*



As so many businesses have done, our office in Madison has converted the phone system to an automated attendant. During this conversion process, we may have missed a call or two and we apologize to anyone who was unable to get through to our office. Conversions are not always smooth sailing. Thank you for your patience.

#### Who's Who:

Top Left to Right, Tammy Richison, Kalyn Timmons, Sue Hoffman, Anjee Sorge, Greg Grunow;  
Bottom Left to Right, Lowell Carter, Peter Callies, Jenny Troemel.

#### Phone Extensions and Direct Dial:

877-229-0009 or Direct Dial (608)

Jenny Troemel, Claim Analyst	Ext 1	821-1182
Greg Grunow, Claim Supervisor	Ext 2	821-1183
Peter Callies, Sr. Claim Examiner	Ext 3	821-1184
Sue Hoffman, Policy Supervisor	Ext 4	821-1185
Kalyn Timmons, Customer Service Rep.	Ext 5	821-1186
Anjee Sorge, Customer Service Rep.	Ext 6	821-1187
Lowell Carter, Branch Manager	Ext 8	821-1189

## Advisory Committee Members

Nicholas Alioto,  
Tigerton School Dist.  
Carole Charles,  
Outagamie County  
Nick Evgenides,  
Brown County  
Connie Fisher,  
Chippewa County  
Gary Hansen,  
Rosendale-Brandon  
School District  
Julee Helt,  
Village of Waunakee  
Kevin Houlihan,  
City of Madison  
Don La Fontaine,  
City of Oshkosh  
Andrew Licata,  
Hayward Community  
Schools  
Glinda Loving,  
Milwaukee Metro  
Sewer District  
Keith Lucius,  
Ashwaubenon  
School District  
Nicholas Onyszcak,  
City of New Lisbon  
John Rath,  
Milwaukee County  
Harold Reckelberg,  
Town of Luxemburg  
Ken Rogers  
Eleva Strum School  
District  
John Roth,  
Lake Geneva  
School District  
Jerry Runice,  
Berlin School  
District  
Doug Saubert,  
City of Whitewater  
Laura Stauffer,  
Waukesha County  
Barb Wegner,  
Dane County  
Mark Wyss,  
City of Mequon

# Waiver of Subrogation

*By: Lowell Carter, Branch Manager*

Fund policyholders should be aware that any contract that they enter into might have language that requires waiver of subrogation rights. This jeopardizes the Fund's right of recovery against a third party, and is not in the best financial interest of the Fund. Sometimes construction contracts that reference American Institute of Architects (AIA) documents contain waiver of subrogation language due to the reference.

## Reminder

### ALL LOSSES SHOULD BE REPORTED PROMPTLY

*By: Lowell Carter, Branch Manager*

Although we have mentioned the importance of prompt claims notifications in previous newsletters, we feel that is necessary to remind policyholders that all losses should be reported to the Fund as soon as possible after they happen. Please do not "batch" loss notices and submit them periodically. Also, do not wait until repairs are completed or until you have received an invoice to report a claim.

By being notified early of a loss, the Fund can thoroughly investigate and adjust claims. Prompt reporting will allow us to determine if an inspection is necessary, and we can also work with contractors of your choosing to minimize estimates while still providing a proper settlement. Following these procedures can help keep premiums as low as possible.

## Policy Questions & Answers

*By: Sue Hoffman, Policy Supervisor*

### 1. Q. Why don't you include postage on your return envelopes?

A. Not including postage saves on our costs. All savings can help to reduce your premium.

### 2. Q. How much can I save by changing my deductibles?

A. Savings are from 5% to 75% depending on the deductible that you choose. A deductible discount chart is included in all renewal packets. If you would like to review at another time, please let us know and we'll be happy to fax a chart to you. Please note that \$500 is the standard deductible and no discount applies at this level.

### 3. Q. Why does the renewal information for our Valuation policy need to be at the ASU Group/LGPIF so early?

A. We must mail the information on your Valuation policy to American Appraisal for processing. We need to allow at least 30 days for the updated Statement of Values to arrive back in our office for policy issuance.

### Did you know?????

*In 1993, 3 million people (most of them in the US) made use of the Internet. In 1998, 100 million people around the world were using the Internet, and it is estimated that by 2005, 1 billion people will be connected.*

### Are you Connected?



**4. Q. We have purchased a new “Rubbermaid” storage shed. Is it considered a building or covered under inland marine because it can be moved?**

A. Storage sheds are considered buildings. Most are not moved once put into place.

**5. Q. I requested that our policy be cancelled in writing. Why hasn't it been cancelled and when will I receive a refund?**

A. The policy states that LGPIF must receive a copy of the board resolution before a policy can be cancelled. Once we receive the resolution, the credit will be processed.

**6. Q. How do I obtain an Evidence of Property Insurance for an equipment supplier?**

A. Just call, fax or email a note to our office. We will fax to you and the supplier. Make sure you include the name and address of the supplier as well as the description and lease number of the equipment.

**7. Q. Are my employees' tools covered?**

A. Yes, up to \$500 per employee and \$10,000 per occurrence (if not insured by the employee).

**8. Q. How can I see my loss history?**

A. Just call or fax a note to our office. We will fax a loss run to you.

**9. Q. Why am I receiving two Statements of Values with my policy?**

A. One is part of the actual policy. The other is your working copy to mark changes during the year. The marked copy will be returned to us for use with your next renewal packet.

**10. Q. My renewal policy didn't arrive before the renewal date. Did I have a lapse in coverage?**

A. No, your policy is continuous. Coverage cannot be terminated until we receive a copy of a resolution from your Board requesting that coverage be cancelled.

**11. Q. Do I need to complete the Alarm Credits form every year?**

A. No, once it has been completed we keep it on file. Only complete the Alarm Credits form if you have installed new alarms or have new buildings with alarms.

## Financial Report

*By: Lowell Carter, Branch Manager*

**The first nine months of the Fund's fiscal year have been excellent by any measure. Policyholder surplus has grown to over \$19 million as of 3/31/04. Although there have been several sizable losses in the past few months, it is expected that surplus growth will continue this year. This is important for the continued viability of the Fund.**

**For the first time in several quarters the Fund is showing a net underwriting gain for both the second and third quarters of fiscal 2004. The gain is in excess of \$4 million compared with sizable losses in previous years. Most impressive is the fact that the Fund's combined ratio after reinsurance is 73% compared with 126% at year-end 2003. Rate increases and greater use of deductibles have contributed heavily to these results.**

**Local Government Property Insurance Fund**

**Premium by Entity & by Line**

**Direct Incurred Losses developed Prior Three Years (no IBNR is included)**

03/31/2004

9 months

**Direct Premium Earned by ENTITY**

Fiscal year ended June 30,

YTD

	2000	2001	2002	2003	2004	TOTAL	
Counties	3,177,478	3,392,803	3,467,095	4,294,212	4,402,286	18,733,874	26%
Schools	2,918,870	3,260,641	4,375,646	5,889,541	7,069,113	23,513,811	33%
Cities	2,524,595	2,708,334	2,953,754	4,240,879	4,951,656	17,379,218	24%
Towns	501,396	516,872	475,978	553,773	436,884	2,484,903	3%
Villages	732,641	815,760	928,755	1,429,460	1,767,309	5,673,925	8%
Other	567,404	568,571	631,662	838,160	700,096	3,305,893	5%
<b>Total</b>	<b>10,422,384</b>	<b>11,262,981</b>	<b>12,832,890</b>	<b>17,246,025</b>	<b>19,327,344</b>	<b>71,091,624</b>	

**Direct Premium Earned by LINE**

Fire	3,257,098	3,616,520	4,549,487	5,771,338	5,550,072	22,744,515	32%
Extended Coverage	2,955,964	3,406,694	4,296,512	6,453,612	8,596,991	25,709,773	36%
Inland Marine	1,711,630	1,657,360	1,497,885	1,699,065	1,572,651	8,138,591	11%
Burglary & Theft	201,915	332,843	241,554	229,395	231,364	1,237,071	2%
EC, IM&BT	4,869,509	5,396,897	6,035,951	8,382,072	10,401,006	35,085,435	49%
Subtotal Non-Auto	8,126,607	9,013,417	10,585,438	14,153,410	15,951,078	57,829,950	81%
Automobile PD	2,295,777	2,249,564	2,247,452	3,092,615	3,376,266	13,261,674	19%
<b>Total</b>	<b>10,422,384</b>	<b>11,262,981</b>	<b>12,832,890</b>	<b>17,246,025</b>	<b>19,327,344</b>	<b>71,091,624</b>	

**Direct Losses Incurred by ENTITY**

Counties	8,700,035	4,505,922	4,849,546	5,123,594	2,001,159	25,180,256	35%
Schools	4,217,617	5,507,492	6,144,994	8,618,589	2,385,486	26,874,178	37%
Cities	2,239,539	2,470,066	2,886,032	3,221,218	3,531,792	14,348,647	20%
Towns	237,850	345,565	290,574	128,542	78,759	1,081,290	1%
Villages	497,725	1,052,201	691,403	628,739	830,286	3,700,354	5%
Other	446,034	132,607	187,817	67,635	79,431	913,524	1%
<b>Total</b>	<b>16,338,800</b>	<b>14,013,853</b>	<b>15,050,366</b>	<b>17,788,317</b>	<b>8,906,913</b>	<b>72,098,249</b>	

**Direct Losses Incurred by LINE**

Fire	7,525,769	4,409,500	5,870,470	1,254,837	2,763,421	21,823,997	30%
Extended Coverage	6,904,640	7,498,262	7,111,714	14,292,273	4,220,275	40,027,164	56%
Inland Marine	162,144	80,827	143,328	15,694	7,755	409,748	1%
Burglary & Theft	12,308	19,410	97,350	147,968	103,332	380,368	1%
EC, IM&BT	7,079,092	7,598,499	7,352,392	14,455,935	4,331,362	40,817,280	57%
Subtotal Non-Auto	14,604,861	12,007,999	13,222,862	15,710,772	7,094,783	62,641,277	87%
Automobile PD	1,733,939	2,005,854	1,827,504	2,077,545	1,812,130	9,456,972	13%
<b>Total</b>	<b>16,338,800</b>	<b>14,013,853</b>	<b>15,050,366</b>	<b>17,788,317</b>	<b>8,906,913</b>	<b>72,098,249</b>	
Claim Count	2,420	2,933					

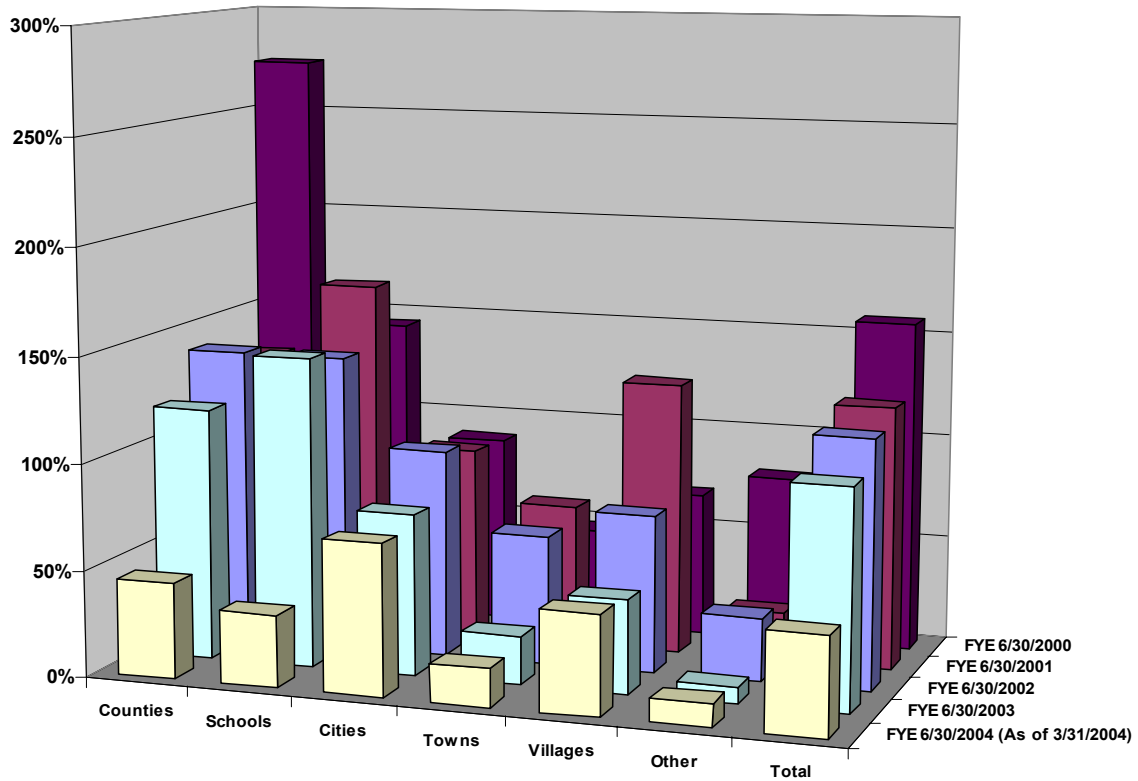
**Direct Losses by Entity to Premium by ENTITY**

	2000	2001	2002	2003	2004	TOTAL
Counties	274%	133%	140%	119%	45%	134%
Schools	144%	169%	140%	146%	34%	114%
Cities	89%	91%	98%	76%	71%	83%
Towns	47%	67%	61%	23%	18%	44%
Villages	68%	129%	74%	44%	47%	65%
Other	79%	23%	30%	8%	11%	28%
<b>Total</b>	<b>157%</b>	<b>124%</b>	<b>117%</b>	<b>103%</b>	<b>46%</b>	<b>101%</b>

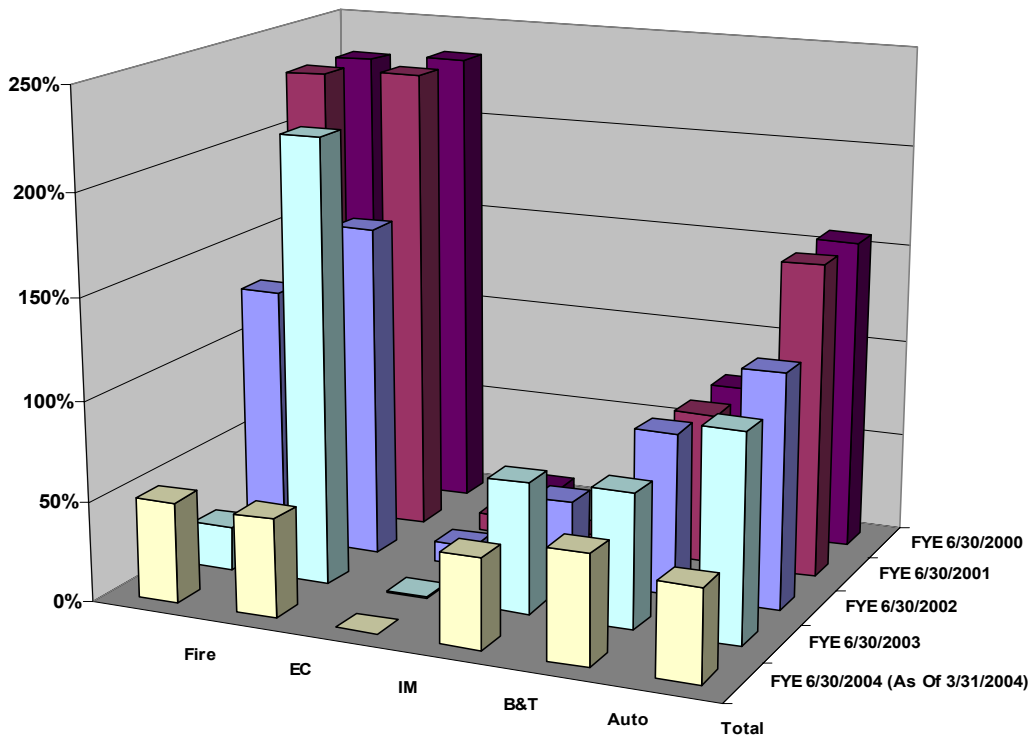
**Direct Losses by LINE to Premium by LINE**

	2000	2001	2002	2003	2004	TOTAL
Fire	231%	122%	129%	22%	50%	96%
EC	234%	220%	166%	221%	49%	156%
IM	9%	5%	10%	1%	0%	5%
B&T	6%	6%	40%	65%	45%	31%
Auto	76%	89%	81%	67%	54%	71%
<b>Total</b>	<b>157%</b>	<b>124%</b>	<b>117%</b>	<b>103%</b>	<b>46%</b>	<b>101%</b>

### Loss Ratios By Entity By Year (AS OF 3/31/2004)



### Loss Ratios By Line By Year (AS OF 03/31/04)





# Loss Control

## Candles In The Workplace?

By: Greg Grunow, Claim Supervisor & Tammy Richison, District Manager



### Candles: Decorative & Destructive

Most homes have a candle or two lying around. Some are used as decorations; others are burned for aromatic pleasure or for ambience. Candles are also present in the workplace. Again, used for decorative purposes and also for sensory enjoyment.

In light of 2 recent claims involving candles, a friendly reminder on safe usage is in order. Both claims involved candles that were left unattended. A local school sustained damage in excess of \$450,000 and a high rise building for disabled and elderly residents sustained over \$1.4 million in damages. Fortunately, there was no loss of life in either event, but they show how a small item, such as a candle, can lead to substantial damages.

The most important tip to remember is to never leave the candle unattended. If you have candles, place the candles in areas that have no flammable items or loose hanging items over the candle.

For More Information Visit: [www.candles.org/UseAndSafety/safety.htm](http://www.candles.org/UseAndSafety/safety.htm)



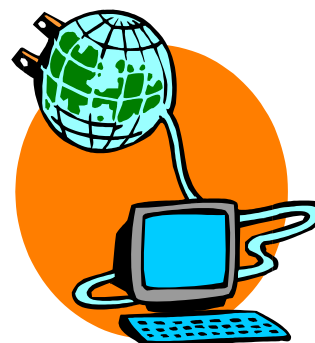
### Preparing for “E” Newsletter

We have been gradually gathering your e-mail addresses for some time now and will be using them for our communications with you increasingly in the future.

We hope to discontinue sending paper copies of this newsletter by 2005 to all those who have an e-mail address. The plan is to send notification to you via e-mail that the newsletter is posted on the OCI website for viewing.

Those who don't have e-mail capabilities will still receive a paper copy. We welcome your thoughts on this eventual change, and if you have a new e-mail address, we would appreciate your sending it to us.

Contact us at [low2375@asugroup.com](mailto:low2375@asugroup.com)



## **OCI Fund Website:**

Check out the Fund's Website at [Http://oci.wi.gov/lgpif.htm](http://oci.wi.gov/lgpif.htm). This Website contains general information about the Fund, its financial reports which are updated quarterly, minutes from the Fund Advisory and Oversight Committees, an electronic copy of the Fund's valuation policy, and an electronic copy of its loss reporting form. If you have comments or suggestions about how this Website could be improved, please send those to Dan Bubolz, Insurance Program Officer, P.O., Box 7873, Madison, WI 53707 or email at [dan.bubolz@oci.state.wi.us](mailto:dan.bubolz@oci.state.wi.us)